

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD
5 North Fifth Street
Harrisburg, Pennsylvania**

Regular Meeting

Minutes

March 11, 2016

9:50 A.M.

Board Members Present

Ms. Melva S. Vogler, Chairman
Ms. Deborah J. Beck
Mr. Frederick T. Berestecky
Mr. James R. Biery
Representative Stephen Bloom
Mr. Larry B. Breech
Ms. Stacey Connors for Senator Patrick M. Browne
Ms. Sally Keaveney for Senator Lawrence M. Farnese
Ms. Susan C. Lemmo
Mr. Nathan G. Mains
Mr. Bernard Gallagher for Representative Joseph F. Markosek
Ms. Jennifer Langan for Treasurer Timothy A. Reese
Ms. Debbie Reeves for Secretary Pedro A. Rivera
Mr. James M. Sando

Board Members Absent

Ambassador Martin J. Silverstein

Others Present

Mr. Tom Weeter, PSEA-R

Staff Members Present

Ms. Barbara Book	Mr. Antonio Parisi
Mr. Brian S. Carl	Ms. Michele Richards
Ms. Michele M. Ferencz	Ms. Terrill J. Sanchez
Mr. Glen R. Grell	Mr. Charles K. Serine
Mr. James H. Grossman, Jr.	Mr. Steven Skoff
Ms. Lori Koch	Ms. Christine Steever
Mr. Richard Michlovitz	Mr. Joseph E. Wasiak, Jr.
Ms. Jennifer Mills	Mr. Wesley Weymers
	Ms. EvelynTatkovski Williams

CALL TO ORDER Mr. Grell called the meeting to order at 9:50 A.M. in the fourth floor Board Room at PSERS' headquarters.

ELECTION OF BOARD CHAIRMAN Mr. Grell called for nominations for Chairman of the Board of the Public School Employees' Retirement Board for the year 2016. Mr. Gallagher moved to elect Ms. Vogler as Chairman. Mr. Breech seconded the motion. No additional nominations were made. The motion passed unanimously with a roll call vote.

ELECTION OF BOARD VICE-CHAIRMAN Mr. Grell called for nominations for Vice-Chairman of the Board of the Public School Employees' Retirement Board for the year 2016. Mr. Breech moved to elect Mr. Sando as Vice-Chairman. Ms. Keaveney seconded the motion. No additional nominations were made. The motion passed unanimously with a roll call vote.

Discussion was held pertaining to the possibility of future term limits for Board Chair and Vice-Chair, as well as potential limitations on qualifications to hold the Chair and Vice-Chair positions.

Mr. Grell turned the meeting over to Chairman Vogler.

WELCOME GUEST AND NEW EMPLOYEES Mr. Grell welcomed guest, Mr. Weeter; new employees, Ms. Richards, Mr. Parisi and Mr. Weymers.

MINUTES APPROVED Mr. Berestecky moved to approve the minutes of the December 8, 2015 Board meeting. Mr. Breech seconded the motion, which passed unanimously.

NEW BUSINESS

POLICY REVIEW Ms. Ferencz certified that the annual review of PSERS' policies has been performed and all policies are current and accurate.

SIGNING RESOLUTION Representative Bloom moved that the Public School Employees' Retirement Board authorizes any two or more of the persons occupying the following positions, namely, the Executive Director; Deputy Executive Director; Assistant Executive Director; Chief Financial Officer; Chief Investment Officer; Deputy Chief Investment Officer - Traditional Investments; Deputy Chief Investment Officer - Non-Traditional Investments; Managing Director of Investment Operations and Risk; Managing Director of Equities; Managing Director of Fixed Income; and Director of Investment Accounting and Budget to execute and deliver any and all contracts, instruments, or documents that require written signatures in the name of the Public School Employees' Retirement

System (the "System"), and to endorse, assign, or guarantee all such contracts, instruments, or documents in the name of the System.

Further, that (i) in the case of investment contracts, the Chief Investment Officer, Deputy Chief Investment Officer- Traditional Investments, Deputy Chief Investment Officer - Non-Traditional Investments, Managing Director of Investment Operations and Risk, Managing Director of Equities, or Managing Director of Fixed Income must be one of the two signatories, and the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when the only authorized signatories who are available hold Investment Office positions; and (ii) in the case of all other contracts, the Executive Director, Deputy Executive Director, Assistant Executive Director, Chief Financial Officer, or Director of Investment Accounting and Budget must be one of the two signatories, except in exigent circumstances when none of the designated individuals is available.

Further, that the members of System staff shall be authorized to execute and deliver forms and other non-contractual documents relating to either investment or benefit matters in the course of their assigned ministerial duties (e.g., tax forms, confirmations of the System's tax exempt status, verifications of account information, workers' compensation and unemployment compensation forms, and other documents that do not require the exercise of discretion or judgment on the part of the staff member who executes the document).

Ms. Lemmo seconded the motion, which passed unanimously.

Representative Bloom moved that the Public School Employees' Retirement Board (the "Board") hereby approves, effective immediately, the following new policy of the Board:

**AUTHORIZATION TO
ADVOCATE ON
LEGISLATIVE POLICY
ISSUES**

Approval of PSERB Required to Authorize the Executive Director to Communicate on Legislative Policy Issues.

The Board must approve any authorization of the Executive Director to communicate an official position on behalf of the Board to the Governor and/or members of the General Assembly on any issue of legislative policy, excluding any issues pertaining to the administrative budget of the agency.

Ms. Connors seconded the motion. A brief discussion ensued.

Ms. Langan moved to refer the resolution to the Bylaws/Policy Committee for further discussion. Ms. Keaveney seconded the motion, which passed unanimously.

MAY MEETING PREVIEW

Mr. Wasiak gave a preview of the May Committee/Board meetings, which will be held in conjunction with the PAPERS meeting at the Hilton Harrisburg.

CFO REPORT

Mr. Carl presented his Chief Financial Officer's Report, including December 31, 2015 Financial Statements and Budget; Budget Impasse Impact on Employer Contributions; Governor's Budget Proposal and IFO projections; PA County Economic Impact Map; Five Year Actuarial Experience Study Status; and Other Financial Management Activities.

DEPUTY EXECUTIVE DIRECTOR'S REPORT

Ms. Sanchez presented her Deputy Executive Director's Report, which included C2B Conversion; Major Systems Upgrade; Call Center Study; and Communications Study.

CHIEF COUNSEL REPORT

Ms. Ferencz presented her Chief Counsel Report, which included notification of her 2015 Annual Report.

RETIREMENTS

Ms. Ferencz announced her upcoming retirement to the Board. She also stated that Mr. Serine has been chosen by the Governor's Office of General Counsel to fill the position of PSERS' Chief Counsel upon her retirement.

Ms. Ferencz announced the retirement of Mr. Michlovitz, and stated that Mr. Skoff has been chosen by the Governor's Office of General Counsel to serve as Deputy Chief Counsel – Investments and to execute the Investment related legal duties, and Ms. Mills has been selected by the Governor's Office of General Counsel to serve as Deputy Chief Counsel – Benefits and to execute the Benefits related legal duties.

Mr. Grell congratulated both Ms. Ferencz and Mr. Michlovitz on their upcoming retirements. He thanked them both for their dedicated service to the Board of Trustees and to PSERS members and staff.

CORPORATE GOVERNANCE COMMITTEE REPORT

Ms. Connors reported on the meeting held on March 10, 2016.

Ms. Connors stated that the Committee approved the minutes of the December 7, 2015 meeting.

MINUTES APPROVED

Ms. Connors stated that Ms. Engler gave a presentation on the Proxy Guideline Update; and Mr. McCormick, of Glass Lewis, gave an Overview of Current Proxy Issues.

PRESENTATIONS

Ms. Connors moved that the Public School Employees' Retirement Board (the "Board") hereby adopts the proposed U.S. and Non-U.S. Proxy Voting Policies pursuant to the recommendation of Lenann T. Engler, Senior Investment Professional, dated February 22, 2016. Ms. Lemmo seconded the motion, which passed unanimously.

US AND NON-US PROXY VOTING POLICIES

Ms. Connors stated that an Executive Session was held to discuss the results of the Securities Litigation Consultant RFP.

Ms. Connors moved that the Public School Employees' Retirement Board (Board), hereby retains Reinhart Boerner Van Deuren s.c. as the Board's Securities Litigation Consultant for a contract term not to exceed five years. The final terms and conditions of the contract must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on the implementing contract or by a memo to that effect appended to the implementing contract. Mr. Breech seconded the motion, which passed unanimously.

SECURITIES LITIGATION CONSULTANT

FINANCE COMMITTEE REPORT

Mr. Sando reported on the meeting held March 10, 2016.

Mr. Sando stated that the Committee approved the minutes of the December 7, 2015 meeting.

MINUTES APPROVED

Mr. Sando stated that: Mr. Grossman presented his Market Review and Comments; the following action items were presented for review: Investment Guidelines; Brookfield Strategic Real Estate Partners II, L.P.; Pramerica Real Estate Capital VI, L.P.; Strategic Partners Fund VII, L.P.; Hayfin SOF II USD, L.P.; Sixth Cinven Fund; L. Catterton VIII, L.P.; information items included Fourth Quarter Reports from AON Hewitt and Aksia; an Executive Session was held regarding Private Markets and Real Estate Fund Issues; and Mr. Grossman also presented his Preview of Future Meetings.

PRESENTATIONS

**INVESTMENT
OBJECTIVES AND
GUIDELINES**

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby adopts proposed Exhibit F and proposed changes to Exhibits D and E of the Investment Policy Statement, Objectives, and Guidelines, as amended, for the Public School Employees' Retirement System, and proposed changes to Addendum W, pursuant to the recommendation of Joseph W. Sheva, Risk Manager, dated February 16, 2016. Ms. Langan seconded the motion, which passed unanimously.

**BROOKFIELD
STRATEGIC REAL
ESTATE PARTNERS II,
L.P.**

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Brookfield Strategic Real Estate Partners II, L.P. (and/or related investment vehicles), in accordance with the recommendation of William P. Stalter, Senior Portfolio Manager, Real Estate, dated February 4, 2016 and Courtland Partners, Ltd., dated February 3, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

**PRAMERICA REAL
ESTATE CAPITAL VI,
L.P.**

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed £75 million plus reasonable normal investment expenses, in Pramerica Real Estate Capital VI, L.P. (and/or related investment vehicles) in accordance with the recommendation of Laurann H. Stepp, Senior Portfolio Manager, dated February 11, 2016 and Courtland Partners, Ltd. recommendation dated February 11, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director, as evidenced either by the appropriate signatures on the implementing investment contract or by a memo to that effect appended to the implementing investment contract. Ms. Lemmo seconded the motion, which passed unanimously.

**STRATEGIC
PARTNERS FUND VII,
L.P.**

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$250 million plus reasonable normal investment expenses, in Strategic Partners Fund VII, L.P. (and/or related investment vehicles), in accordance with the recommendation of Charles J. Spiller, Deputy CIO, Non-Traditional Investments, dated February 12, 2016 and Portfolio Advisors, LLC., dated February 12, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of

Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Berestecky seconded the motion, which passed unanimously.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$200 million plus reasonable normal investment expenses, in Hayfin SOF II USD LP (and/or related investment vehicles), in accordance with the recommendation of James F. Del Gaudio, Senior Investment Professional, dated February 11, 2016 and Portfolio Advisors LLC, dated February 10, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

HAYFIN SOF II USD LP

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed €100 million plus reasonable normal investment expenses, in the Sixth Cinven Fund L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated February 12, 2016 and Portfolio Advisors LLC, dated February 12, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Ms. Beck seconded the motion, which passed unanimously.

SIXTH CINVEN FUND, L.P.

Mr. Sando moved that the Public School Employees' Retirement Board (the "Board") hereby invests an amount not to exceed \$100 million plus reasonable normal investment expenses, in L Catterton VIII, L.P. (and/or related investment vehicles), in accordance with the recommendation of Darren C. Foreman, Senior Portfolio Manager, Private Markets, dated February 12, 2016 and Portfolio Advisors LLC, dated February 12, 2016. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract. Mr. Biery seconded the motion, which passed unanimously.

L CATTERTON VIII, L.P.

APPEALS/MEMBER SERVICES COMMITTEE REPORT

Ms. Beck, reported on the meeting held on March 10, 2016.

MINUTES APPROVED

Ms. Beck stated that the Committee approved the minutes of the December 7, 2015 meeting.

ACCOUNT OF
JAMES BRISKI, JR.

Ms. Beck moved in the case of James Briski, Jr., that the Board adopts the draft Opinion and Order, adopting the Hearing Examiner's recommendations with modifications, and dismiss Claimant's request to purchase service. Ms. Keaveney seconded the motion, which passed unanimously.

ACCOUNT OF
RODNEY D. HAWKINS

Ms. Beck moved in the case of Rodney D. Hawkins, that the Board adopt the draft Board Opinion and Order granting PSERS' Motion for Summary Judgment and dismiss the Claimant's request to elect Membership Class T-F. Representative Bloom seconded the motion, which passed unanimously.

ACCOUNT OF
BERNADETTE M.
KESSELL

Ms. Beck moved in the case of Bernadette M. Kessell, that the Board adopt the draft Board Opinion and Order granting PSERS' Motion for Summary Judgment and dismiss the Claimant's request to waive her premium assistance overpayment debt. Mr. Breech seconded the motion, which passed unanimously.

ACCOUNT OF
MARCIA S. SCHULMAN

Ms. Beck moved in the case of Marcia S. Schulman, that the Board adopt the draft Board Opinion and Order, adopt the Hearing Officer's recommendation with modifications, and dismissing the Claimant's request for full restoration of her PSERS benefits as of the date of her initial retirement. Ms. Lemmo seconded the motion, which passed unanimously.

ACCOUNT OF
ANDREW LYLE

Ms. Beck stated that the case of Andrew Lyle was tabled, pending further information from the employer.

ESRC REPORT

Ms. Beck stated that the Committee reviewed the Executive Staff Review Committee (ESRC) Reports from the November 24 and December 21, 2015 meetings.

AUDIT/BUDGET COMMITTEE REPORT

Mr. Berestecky reported on the meeting held on March 10, 2016.

MINUTES APPROVED

Mr. Berestecky stated that the Committee approved the minutes of the October 6, 2015 meeting.

Mr. Berestecky stated that Mr. Seymour, of SB & Co., LLC, presented the Audit Preview Report.

PRESENTATION

HEALTH CARE COMMITTEE REPORT

Ms. Lemmo reported on the meeting held on March 10, 2016.

Ms. Lemmo stated that the Committee approved the minutes of the December 7, 2015 meeting.

MINUTES APPROVED

Ms. Lemmo stated that Mr. Schafer presented both the Market Comparison Report and the Enrollment Experience Report.

PRESENTATIONS

PERSONNEL COMMITTEE REPORT

Mr. Mains reported on the meeting held on March 11, 2016.

Mr. Mains stated that the Committee approved the minutes of the December 7, 2015 meeting.

MINUTES APPROVED

Mr. Mains stated that an Executive Session was held regarding the Policy Manual for Investment Professional Staff.

POLICY MANUAL FOR
INVESTMENT
PROFESSIONAL STAFF

Mr. Mains moved that the Public School Employees' Retirement Board (Board), hereby approves the updates and changes as set forth in the PSERS' Policy Manual for Investment Professional Staff dated March 11, 2016, which after consultation with the Personnel Committee and Board Chairs will be effective upon final approval by the Governor's Office. Mr. Breech seconded the motion, which passed with 9 YES votes, 4 NO votes, and 1 abstention in a roll call vote. Those opposed were Representative Bloom, Ms. Connors on behalf of Senator Browne, Ms. Keaveney on behalf of Senator Farnese and Ms. Langan on behalf of Treasurer Reese. Ms. Reeves abstained on behalf of Secretary Rivera.

EXECUTIVE DIRECTOR'S REPORT

Mr. Grell stated that he gave a presentation to the Tuscarora Intermediate Unit in McVeytown December 16; attended the NASRA Winter Meeting in Washington DC February 27-29; attended the House Appropriations Budget Hearing on March 7; and made a presentation at the PASBO Conference on March 10.

EVENTS ATTENDED

Mr. Grell stated that he will join a Public Pension Panel at George Mason Law & Economics Judicial Education Program on

UPCOMING EVENTS

March 21-22; appear on Face the State on CBS21 on March 24; and make presentations to Midwest IU in Grove City on April 13 and PSEA-R in Tannersville on May 4.

ADDITIONAL INFORMATION

Mr. Grell informed the Board that PSERS staff donated gifts for the Spring Gift Project for the Dauphin County Children & Youth, and children from the YWCA of Greater Harrisburg.

Mr. Grell stated that the election process has been initiated for the School Board member seat, and an election will be held for the Annuitant seat and two Active-Certified seat members.

Mr. Grell reminded the Board that the May Committee/Board meetings will be held in conjunction with the PAPERS Conference at the Hilton Harrisburg on May 25th.

Mr. Grell welcomed Mr. Antonio Parisi, PSERS newly appointed Director of Government Affairs. He also congratulated Ms. Michele Ferencz, Ms. Deb Garraway, Ms. Terri Mirarchi, Mr. Don Halke and Mr. Richard Michlovitz on their upcoming retirements.

VISITOR COMMENTS

Mr. Weeter congratulated Ms. Ferencz, Mr. Halke and Mr. Michlovitz on their upcoming retirements. He also expressed his appreciation to Mr. Mains for his concern for the school districts in Pennsylvania.

BOARD MEMBER COMMENTS

Ms. Vogler asked the members of the Board to consider getting involved in the RFP process as the need arises.

Ms. Beck commented that she is concerned that imposing term limits on the Board Chair and Vice Chair positions will restrict the use of competent people. A working group is being formed to discuss the issue, as well as other suggestions on Board governance by Mr. Mains and others that may arise.

ADJOURNMENT

Chairman Vogler adjourned the meeting at 11:50 A.M.

NEXT MEETING

The next regularly scheduled meeting of the Public School Employees' Retirement Board will be held on May 25, 2016, at the Hilton Hotel, 1 North Second Street, Harrisburg, PA.

3/29/2016
Date


Glen R. Grell
Executive Director